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ZNR UUUUU ZZH  
R 021504Z SEP 09  
FM AMEMBASSY VIENNA  
TO RUEHC/SECSTATE WASHDC 3245  
INFO RUCPDO/DEPT OF COMMERCE WASHDC  
RUCNMEM/EU MEMBER STATES

UNCLAS SECTION 01 OF 02 VIENNA 001115

SIPDIS

E.O. 12958: N/A

TAGS: [ETRD](#) [EIND](#) [BEXP](#) [ECON](#) [AU](#)

SUBJECT: AUSTRIAN DIRECTOR OF FOREIGN TRADE POLICY EXPRESSES  
INTEREST IN REVIVING INFORMAL COMMERCIAL TALKS

¶1. (SBU) Summary: Josef Mayer, Austrian Ministry of Economics Director of Foreign Trade and EU Integration, said he would like to revive informal commercial talks with the U.S. and hopes to pursue the subject in Washington in October. He also cited the Ukraine as the next market with great potential for investment. He opined that it would be difficult to gain approval in the EU for Turkish entry, partly because of strong public opposition but also because Turkey's size would make entry complicated for an already overburdened organization. On bilateral trade issues, Mayer said pharmaceutical negotiations would need a mediator who could work well with U.S. companies, and predicted that although bilateral trade had plunged because of the decline in the auto industry, the environmental industry showed promise for greater cooperation. Finally, Mayer regretted the "emotional" Austrian attitudes towards GMOs and the EU, citing the need to combat isolationism in the popular media. End summary.

#### A Geographical Overview

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¶2. (U) In an August 27 courtesy call by the DCM, Mayer began with a discussion of the western Balkans, reviewing the GoA's efforts and praising the U.S.'s long-term engagement in the region. He considered centuries-old historical ties still relevant in determining how individual EU members relate to particular Southeast European countries. Mayer felt Ukraine, despite its difficulties now, still possessed great potential for future investment. A key factor would be achieving both political and economic stability throughout the area. Turkey's Candidacy, EU Organizational Problems

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¶3. (SBU) Looking at Turkey's EU candidacy, Mayer noted that some Austrians view U.S. endorsement for Turkish entry as a plot to weaken or dilute the EU. Popular opinion remains strongly against Turkish membership, and Mayer predicted that in a referendum Austrian and most EU voters would oppose entry. Turkey, by virtue of its size and political issues, would present unique problems for entry, and he defended the extra steps which the EU was requiring for Turkey to become a member. Speaking on the EU as an organization, Mayer opined that the structure was designed for 6-8 members, and ill-suited for its current 27. Subsidies remain a particular point of contention, as older EU member states such as France and Spain were reluctant to share with the new member states. DCM encouraged Austria to move forward with an open door to Turkey, emphasizing the benefit of the accession process for both Turkey and current EU members.

#### Bilateral Trade Issues

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¶4. (SBU) While the EU understood the necessity for U.S. security controls at ports of entry, Mayer warned that there needed to be a balance between security and obstructionism that could be construed as a barrier to trade. On the pharmaceutical pricing dispute, Mayer predicted that it would be essential to have a mediator on good terms with the pharmaceutical industry. (Note: Previously Mayer himself has mediated between the Austrian insurance system and drug companies.) DCM emphasized that question was not only fair trade

practices but also making full range of medicines available to Austrian patients. Mayer acknowledged that U.S. industry perceived the Austrian ministries as low-balling its pricing proposals. However, the U.S. side would have to realize that an agreed pricing scheme would have to satisfy the social insurance system and Finance Ministry as well as the Health Ministry.

¶5. (U) On alternative energy, Mayer was more upbeat. The change in U.S. administrations had brought a fresh attitude towards alternative energy, and the U.S. could use some renewables, such as wind power, at a scale unmatched in Europe. On the other hand, he felt biomass technology was an EU strength. DCM noted that the U.S. had many good stories to tell in terms of energy efficiency and green technology, and hoped for greater cooperation with Austria in this area.

¶6. (SBU) Bilateral trade, largely dependent on trade in auto machinery, had plunged as a result of the decline in the auto industry, he noted. Despite the presence of U.S. producers in Austria, particularly in Styria, U.S. cars still suffered from an image problem in Europe owing to their high CO2 emissions, perceived poor technology, and poor resale value. Mayer added that the "Buy American" legislation had created a negative impression and could invite EU retaliation. DCM emphasized importance of keeping communication when differences arise and in turning to bodies like WTO to help sort them out.

#### GMOs and Support for the EU

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¶7. (SBU) Speaking at some length on genetically modified products (GMOs), Mayer reflected that the debate over GMOs in Austria had

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been taken over by emotional appeals, blaming among others the influential newspaper "Kronen Zeitung," which had degraded the debate to a simple "good versus evil" confrontation. Mayer supported reasonable efforts to offer consumers GMOs side-by-side with bio products. Austrian propagandizing for bio products, Mayer felt, arose from Austrian isolationist attitudes and a desire to dictate virtue to others. He cited the Austrian attempt to use sulfur issues to prevent the Czech upgrading of the Temelin nuclear power plant as another example of this mindset at work.

¶8. (SBU) This mindset also has had spillover effects in Austrian attitudes toward the EU. Mayer noted that 2/3 of Austrian voters, including even the now EU-phobic Kronen Zeitung, supported the 1995 referendum on membership. After becoming a member, Austrians had felt uncomfortable with "being told what to do." The public had been poorly informed about the EU, and part of the problem was that Austria and other EU nations only sent second-rate politicians to serve the EU, never the top ones. The only solution to quelling public fears was by continuing to listen to the public, such as what FM Spindelegger had done on his listening tour in the provinces.

¶9. (U) Mayer will travel to Washington October 19-21 for meetings on trade, with one of his objectives being to restart the Informal Commercial Exchange (ICE) talks. DCM said we would welcome the opportunity to coordinate and try to ensure he had good meetings during this time.

¶10. (SBU) Comment: Whether by coincidence or design, Mayer's conversation started on common points of agreement before going to some of the more contentious issues, though his tone remained genial throughout. His choosing to discuss geopolitics first perhaps reflected the importance he put on political issues and the importance of U.S. engagement in the region. Mayer took care to explain issues which he felt may be less comprehensible to an American audience, particularly Austrian attitudes toward GMOs and the EU. Mayer appears to be encouraged by the potential of collaboration on environmental issues with the new administration. Given his pro-American attitude, it is worth noting those issues on which Mayer expressed concern for a trade conflict, namely port security controls and the "Buy American" clause. If ICE talks do restart, it will be useful to have a specific agenda, covering many of the issues Mayer discussed in this meeting. He is an influential

figure on these issues in Austrian policy making and we encourage Washington interlocutors to make time to see him. End comment.